United Nations A/58/759/Add.9

General Assembly

Distr.: General
12 April 2004

Original: English

Fifty-eighth session
Agenda item 134
Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Financial performance report for the period from 1 July 2002 to 30 June 2003 and proposed budget for the period from 1 July 2004 to 30 June 2005 of the United Nations Logistics Base at Brindisi

Status of the implementation of the strategic deployment stocks

Report of the Advisory Committee on Administrative and Budgetary Questions

Appropriation for 2002/03	$14,293,200
Expenditure for 2002/03	$14,447,500
Appropriation for 2003/04	$22,208,100
Proposal submitted by the Secretary-General for 2004/05	$28,799,700
Recommendation of the Advisory Committee for 2004/05	$28,422,000

I. United Nations Logistics Base at Brindisi

1. **The recommendations of the Advisory Committee in paragraph 13 below would entail a reduction of $377,700 in the proposed budget for the United Nations Logistics Base for the period from 1 July 2004 to 30 June 2005. The Committee also makes a number of observations and recommendations with regard to the administration and management of the Base and opportunities for further savings.**

04-30685 (E) 280404

2. The documents used by the Advisory Committee in its consideration of the financing of the United Nations Logistics Base are listed at the end of the present report.

A. Financial performance report for the period from 1 July 2002 to 30 June 2003

3. On the recommendation of the Advisory Committee, the General Assembly, by its resolution 56/289 of 27 June 2002, appropriated an amount of $14,293,200 gross for the maintenance of the Logistics Base for the period from 1 July 2002 to 30 June 2003. The total amount of the appropriation has been assessed on Member States. Expenditure for the period amounted to $14,447,500 gross ($13,360,600 net) which is $154,300 higher than the appropriation (see A/58/702, section III.A).

4. The net cost overrun of $154,300 reflects an increase of $527,000 under civilian personnel and a decrease of $372,700 under operational costs. The additional requirements under civilian personnel are attributable mainly to a steep rise in post adjustment in June 2003. The increase in post adjustment is mainly a result of the appreciation of the euro as compared to the United States dollar during the financial period. The unspent balance under operational costs is attributable mainly to (a) reduced requirements for the maintenance of power units; and (b) the lower than anticipated cost of the acquisition of vehicles because of the receipt of a number of vehicles from the liquidation of UNMIBH.

5. The Committee was informed that the Logistics Base provided, on a reimbursable basis, services valued at $3.6 million to United Nations and non-United Nations entities during the period from 1 July 2002 to 30 June 2003. **The Committee recalls that, in its previous report on the Base, it welcomed the efforts by the administration of the Base to identify and quantify the cost of each service provided on a reimbursable basis, and requested that information on the technique used by the Base and its experience in identifying and estimating reimbursable costs should be made available to administrations of other missions; the Committee also pointed out that the impact of reimbursable expenditure was not reflected in the budget estimates, and requested that an appropriate methodology in this regard be developed and utilized for the next budget estimate (see A/57/772/Add.9, paras. 4 and 5). The Committee notes that the budget document does not contain information on measures taken in response to its requests. Therefore the next budget document on the Base should contain information on the implementation of the Committee's requests.**

6. The comments of the Committee on the information in the performance report on individual objects of expenditure can be found, where relevant, in the discussion of the proposed budget for the period from 1 July 2004 to 30 June 2005 in the paragraphs below.

B. Information on performance for the current period

7. The Advisory Committee was informed that the cash position of the Base as at 29 February 2004 was $64.6 million and that unliquidated obligations for the period from 1 July 2002 to 30 June 2003 amounted to $921,152.

8. The Committee was informed that, as at 29 February 2004, the incumbency for the Base for the period from 1 July 2003 to 30 June 2004 was as follows:

	Posts authorized	*Posts encumbered*	*Vacancy/delayed deployment rate (percentage)*
International staff	37	28	24.3
National staff	99	96	3.0

9. The Committee was provided with expenditure data for the period from 1 July 2003 to 30 June 2004 as at 29 February 2004 (see annex I). Expenditure for the period amounted to $13,270,867 gross ($12,605,567 net) against an apportionment of $22,208,100 gross ($20,949,600 net).

C. Proposed budget for the period from 1 July 2004 to 30 June 2005

1. Mandate and planned results

10. **The Advisory Committee commends the administration of the Base for the progress in formulating its budget document using results-based techniques. The Committee notes that, while indicators of achievement are measurable, they are not clearly aligned with the five programme activities implemented by the Base, namely, maintenance of assets and facilities, supply and warehousing, communication and information technology, training and air operations. Moreover, in the view of the Committee, outputs should contain a time frame for the completion of logistics, communications and information technology projects.**

2. Resource requirements

11. Estimated requirements of $28,799,700 gross ($27,104,600 net) are proposed for the maintenance of the Base for the period from 1 July 2004 to 30 June 2005. The proposed budget represents an increase of $6,591,600 (or 29.7 per cent) in total gross resources in relation to the apportionment for the period from 1 July 2003 to 30 June 2004. As indicated in the table entitled "Financial resources" in the summary of the report (A/58/706), the total increase of $6,591,600 includes an increase of $3,917,400, or 55.2 per cent, in civilian personnel costs and an increase of $2,674,200, or 17.7 per cent, in operational costs.

(a) Civilian personnel

Category	*Posts approved 2003/04*	*Posts proposed 2004/05*
International staff	37	37
National staff	99	114

12. The following reclassifications are proposed:

(a) *Civilian Personnel Officer, from P-3 to P-4* (see A/58/706, para. 5 (a)). This reclassification is requested owing to greater responsibility in the management of staff entitlements;

(b) *Legal Officer, from P-2 to P-3* (ibid., para. 5 (b)). This reclassification is requested owing to an increase in responsibilities, which will include providing advice to the Chief Administrative Officer on substantive and procedural questions regarding human resource management, procurement and contracts as well as matters concerning relations with the host Government;

(c) *Chief, Information Technology Unit, from P-2 to P-3* (ibid., para. 5 (c)). As the Base has become a global hub for communications and information technology support to other peacekeeping operations, the competencies and responsibilities required to manage the services have increased.

Consistent with its past practice regarding posts below the P-5 level and on the basis of the justification provided, the Advisory Committee recommends acceptance of the foregoing proposals.

13. *Conversion of 15 individual contracts into 15 national posts (fixed-term contracts under the 100 series of the Staff Rules)* in the areas of finance, procurement, personnel, transport, engineering, air operations and communications. As indicated in the budget submission, an overall survey by the Department of Peacekeeping Operations revealed that these posts are core functions on a continuous basis for which the current individual contracts are not appropriate (see A/58/706, para. 6). **The Advisory Committee has commented on the matter of conversions extensively in its general report on the administrative and budgetary aspects of the financing of the United Nations peacekeeping operations (A/58/759). The Committee recommends that this matter be reviewed in the light of those comments and, if necessary, be resubmitted in the next budget for the United Nations Logistics Base; in the meantime, the present arrangements should be maintained.**

14. *Conversion of two national officer posts into two General Service local posts.* The Committee points out that the conversion is not properly explained in the budget estimates. The Committee sought clarification and additional explanation on the proposed conversion and was informed that the related budgetary implication would be a reduction of $35,000; the conversion is proposed in order to widen the possibilities for local recruitment. **The Committee has no objection to the proposal; however, the necessary explanations for this type of conversion should be provided in future budget documents.**

(b) Operational costs

Apportioned 2003/04	*Proposed 2004/05*
$15,1116,800	$17,791,000

15. The estimated operational requirements of $17,791,000 (gross) represent an increase of $2,674,200, or 17.7 per cent, compared with the apportionment of $15,116,800 for the current period. The Committee received additional information on the increase, which is due to:

(a) Increased requirements under facilities and infrastructure attributable mainly to contractual services in support of activities relating to strategic deployment stocks, the acquisition of prefabricated structures for the communication and information technology offices and the renovation of three new warehouses for the exclusive use of the Base;

(b) Increased requirements under information technology attributable mainly to the support cost of newly incorporated EMC and Polycom systems, maintenance of the strategic deployment stocks and the replacement of information technology equipment in line with the replacement policy;

(c) Increased requirements under ground transportation attributable mainly to the cost of the preservation and maintenance of the strategic deployment stocks fleet of 1,190 vehicles to ensure that the vehicles are in a state of operational readiness;

(d) Increased requirements under consultants, attributable mainly to mandatory certification requirements: all construction projects, including the asphalting of internal roads, construction of hardstanding areas, upgrading of the storm water network and upgrading of the electrical network, have to be certified by a locally registered and certified professional.

Official travel

16. The estimate for official travel for 2004/05 amounts to $302,600, reflecting a decrease of $22,600, or 6.9 per cent, compared with the amount of $325,200 apportioned for 2003/04 (section II.A. of the proposed budget). The total of $302,600 includes a provision of $136,100 for training-related travel. The estimated total of $166,500 for official (non-training) travel would be required for travel relating to: aviation safety ($17,500); administrative/technical support ($17,500); transport and engineering issues ($22,000); communications and information technology issues ($46,500); administrative issues ($52,600); and warehousing procedures ($10,400).

17. **The Committee points out that the proposed travel programme does not contain any reference to outputs or activities to be implemented by the Base, except for travel relating to communication and information technology matters. Moreover, it contains a significant amount of travel by administrative staff. The Committee points out that the United Nations Logistics Base is a well-established operation in possession of highly sophisticated means of communication, including videoconferencing; therefore, most administrative issues relating to the Base should not require travel for consultations or discussions. The Committee is also of the view that the need for travel of the administrative and support staff of the Base to Headquarters to participate in trade fairs or shows is questionable. The Committee points out that the responsibility for travel expenditure rests with the Base; the Committee expects that travel expenditure will be monitored closely and that savings will be reported in the performance report.**

Training

18. Training requirements are estimated at $390,900, including training-related travel of $136,100. In the opinion of the Committee, the presentation of the training programme needs to be improved. **The Committee is concerned that no indication is given of what would be achieved as a result of training and that some training courses are not linked to specific outputs or activities implemented by the Base. The Committee points out that this approach to presenting training requirements is not consistent with the principles of the results-based framework.**

19. **The Advisory Committee requests that in the future the proposed training programme should contain a brief description of training courses as well as the results expected to be achieved in terms of the impact of training on outputs or activities implemented by the Base. The Advisory Committee draws attention to the recommendation of the Board of Auditors that the Administration evaluate the effectiveness of training actions in order to assess whether they have met individual and organizational goals (see A/58/5, vol. II, chap. II, para. 255).**

Consultants

20. The estimated requirements of $242,000 under consultants represent an increase of $192,000, or 384 per cent, compared with the apportionment of $50,000 for the current financial period. As indicated in paragraph 9 of the budget document, the increase is due mainly to the need to comply with the Italian Government and Italian Air Force mandatory requirements that all construction projects should be registered and certified by a local professional. **The Advisory Committee stresses the importance of ensuring competitive and transparent bidding on such consultants' services.**

Communications and information technology

21. The estimated requirements for communications ($4,658,300) and information technology ($3,559,600) represent a decrease of $559,800 and an increase of $1,167,900, respectively, compared with the apportionment for the current financial period. The Committee notes that, while reduced requirements for communications are due mainly to the receipt of communications equipment and spare parts from UNMIBH, the increased requirements for information technology are due mainly to the replacement of equipment in line with the 25 per cent replacement policy.

22. The Committee recalls that, in the context of its consideration of the proposed budget for the Base for the financial period 2003/04, the Committee requested a comprehensive examination of the merit of transferring to the Base post and non-post resources of the support account earmarked for helping to meet the communications and information technology needs of peacekeeping operations, retaining at Headquarters only a few posts for policy and liaison functions (A/57/772/Add.9, para. 22). The Committee notes from section VI of the budget document that such a comprehensive report is being prepared and will be submitted to the General Assembly for consideration at its resumed fifty-eighth session. **The Committee regrets the delay in the submission of the report. The Committee will submit its observations and recommendations on the matter when it receives the comprehensive report.**

II. Status of the strategic deployment stocks

23. The General Assembly, in its resolution 56/292 of 27 June 2002, endorsed the concept and implementation of the strategic deployment stocks for one complex mission and approved $141.5 million for this purpose. As at 30 June 2003, of the total budget of $141.5 million, expenditure amounted to $88.9 million. The General Assembly, in its resolution 57/315 of 18 June 2003, extended the validity of the approved resources to 30 June 2004. Accordingly, the balance of $52.6 million has been carried forward to the 2003/04 financial period. The report of the Secretary-General on the status of the implementation of the strategic deployment stocks (A/58/707) provides a breakdown of the $52.6 million by budget line (table 1), as well as information on unliquidated obligations of the strategic deployment stocks (table 2).

24. The Committee notes that, as at 31 December 2003, strategic deployment stocks had facilitated the rapid deployment and operational readiness of the United Nations Mission in Liberia, the United Nations Mission in Côte d'Ivoire, the United Nations Monitoring, Verification and Inspection Commission, the Office of the Special Representative of the Secretary-General for Iraq, and the operational requirements of a number of other missions. The Committee was informed that the value of strategic deployment stocks released to missions during the period from 1 July 2002 to 29 February 2004 amounted to $42.3 million (see annex II).

25. The Committee was also informed that, as at 5 March 2004, the strategic deployment stocks account reflected obligations of $83 million (59 per cent), expenditure of $46.9 million (33 per cent), and pre-encumbered amounts of $6.8 million (5 per cent), leaving a balance of $4.7 million (3 per cent) for projected expenditure against the total allotment of $141.5 million. The Committee was also informed of the current strategic deployment stocks of key capital equipment, as shown in the table.

Group	*Item*	*Approved quantity*	*In stock*
Transport	Four-wheel-drive vehicles	605	22
Engineering	Generators	358	236
	Hardwall modular ($26m^2$)	150	114
Communication and information technology supplies	Desktop computers	1 026	483
	Mobile deployable telecommunications systems	10	10
	HF radio mobile	402	341
Supply	Fuel bladders, 6 000 gallon	5	13
	Fuel pump, 150 litre	37	44
Medical	Headquarters clinic	6	0

26. **The Advisory Committee regrets that the report of the Secretary-General does not provide sufficient information on the administration of the strategic deployment stocks, including challenges and problems incurred in the course of their implementation. Taking into account the concept endorsed by the General**

Assembly and the experience gained, it would have been helpful to have information on initial lessons learned and deficiencies to be corrected. This should be done in the next budget submission. The Committee reiterates its previous recommendation on the consolidation of the report on the strategic deployment stocks and the report on the United Nations Logistics Base into a single document (see A/57/772/Add.9, para. 34).

27. The Committee points out that the report of the Secretary-General should be read in conjunction with the report of the Board of Auditors on the accounts of the United Nations peacekeeping operations for the financial period ended 30 June 2003, in which the Board raises a number of important issues relating to the implementation of the strategic deployment stocks (A/58/5, vol. II, chap. II, paras. 67-99).

28. The Committee notes from the report of the Board of Auditors that the goal of achieving full capability to support the rapid deployment of a complex mission by 1 July 2003 was not achieved (ibid., paras. 67-76). Factors hampering the acquisition and replenishment of the strategic deployment stocks such as contractual problems and the selection of vendors are detailed in the Board's report (ibid., para. 77). **The Committee urges the Secretariat to address these issues promptly.**

29. The Committee notes also that one of the issues relating to the implementation of the strategic deployment stocks which the Board discussed in its report was the timely replenishment of strategic deployment stock reserves. The Board noted that the existing pre-mandate commitment authority process did not allow for the inclusion of the replenishment of the strategic deployment stocks and expressed its view that, in order to shorten the lead time between the shipment of strategic deployment stocks and the replenishment thereof, the commitment authority process would be worth reviewing, including consideration of two alternatives: (a) in cases where the budget of a new mission has not yet been finalized, the commitment authority proposal to the Advisory Committee on Administrative and Budgetary Questions should include the provision to replenish the strategic deployment stocks; and (b) alternatively, the Department of Peacekeeping Operations could request a separate commitment authority for replenishing the strategic deployment stocks reserve during an interim period until the new mission budget is approved (ibid., para. 80). Moreover, the Board noted that there were different methods applied to replenish the strategic deployment stocks (ibid., para. 86).

30. The Board has also identified problem areas in the implementation of the strategic deployment stocks, such as the treatment of shipment and freight costs (see ibid., paras 92-94) and the promulgation of the policies and procedures regarding the rotation of strategic deployment stocks (ibid., paras. 95-97).

31. **The Committee shares the concerns of the Board.** It was informed that the start-up requirements of missions that could be launched in the near future are estimated at $340 million. **Thus, there may be quite a significant and even urgent need for strategic deployment stocks, although the Committee understands that, at present, it is not the intention to change financing arrangements.**

32. The Committee understands that, to coordinate the Secretariat efforts, a steering group on strategic deployment stocks was established in July 2003. The Committee was informed that the terms of reference of the Steering Group included operational readiness of strategic deployment stocks; replenishment, maintenance

and storage of strategic deployment stocks; stock rotation plan; validity of modular architecture and composition of selected modules; evaluation of the concept of strategic deployment stocks, monitoring the establishment of strategic deployment stocks; scrutinizing proposed changes to the approved plan; and ensuring that the United Nations attains the desired capacity to rapidly deploy all categories of strategic deployment stocks. The Steering Group also includes the Finance Working Group, which has the goal of developing procedures to ensure that all the financial transactions relating to strategic deployment stocks replenishment and rotation are correctly recorded in IMIS. **The Advisory Committee welcomes these developments. However, in view of the various difficulties in the implementation of the strategic deployment stocks that the Board of Auditors identified in its report, the Committee is of the view that the role of the Steering Group on Strategic Deployment Stocks, and its Finance Working Group, should be significantly enhanced to make it an effective and efficient tool in a coordinated approach to strategic deployment stocks. Moreover, since the issue of timely replenishment of strategic deployment stock reserves may become increasingly relevant, the Committee requests that the Secretariat expeditiously consider what measures need to be introduced to improve the replenishment policies and procedures relating to the strategic deployment stocks, while maintaining strategic deployment stocks in a new or "as new" condition, and to include this information in the annual report on the implementation of the strategic deployment stocks as requested by the General Assembly in its resolution 56/292.**

III. Conclusions of the Advisory Committee

33. The action to be taken by the General Assembly in connection with the financing of the United Nations Logistics Base for the period from 1 July 2002 to 30 June 2003 is indicated in paragraph 13 of the performance report (A/58/702). **The Committee recommends that the General Assembly approve the additional requirements of $154,300 gross with respect to the maintenance of the Base during the period from 1 July 2002 to 30 June 2003 and that the other income and adjustments for the period in the amount of $3,328,000 be credited to Member States in a manner to be determined by the General Assembly.**

34. The action to be taken by the General Assembly in connection with the financing of the Base for the period from 1 July 2004 to 30 June 2005 is indicated in paragraph 21 of the proposed budget (A/58/706). **In view of its comments above, the Advisory Committee recommends that the estimated budget requirements of $28,799,700 be reduced by $377,700 to $28,422,000.**

35. The action to be taken by the General Assembly in respect of the report of the Secretary-General on the status of the implementation of the strategic deployment stocks is indicated in paragraph 8 of the report (A/58/707). **Bearing in mind its comments in the paragraphs above, the Advisory Committee recommends that the General Assembly take note of the progress made by the Secretariat in the implementation of the strategic deployment stocks.**

Documentation

- Performance report on the budget of the United Nations Logistics Base at Brindisi for the period from 1 July 2002 to 30 June 2003 (A/58/702)
- Budget for the United Nations Logistics Base for the period from 1 July 2004 to 30 June 2005 (A/58/706)
- Report of the Secretary-General on the status of the implementation of the strategic deployment stocks (A/58/707)
- Report of the Advisory Committee on Administrative and Budgetary Questions concerning the financing of the United Nations Logistics Base and the status of the implementation of the strategic deployment stocks (A/57/772/Add.9)
- Report of the Board of Auditors on the accounts of United Nations peacekeeping operations for the financial period ended 30 June 2003 (*Official Records of the General Assembly, Fifty-eighth Session, Supplement No. 5* (A/58/5), vol. II, chap. II)

Annex I

Actual expenditure for the United Nations Logistics Base at Brindisi for the period from 1 July 2003 to 30 June 2004

(Thousands of United States dollars)

Category	*Apportionment*	*Expenditure as at 29 February 2004*
Military and police personnel		
Military observers	—	—
Military contingents	—	—
Civilian police	—	—
Formed police units	—	—
Subtotal	—	—
Civilian personnel		
International staff	2 889.0	2 131.6
National staff	4 202.3	3 023.8
United Nations Volunteers	—	—
Subtotal	**7 091.3**	**5 155.4**
Operational costs		
General temporary assistance	59.0	60.2
Government-provided personnel	—	—
Civilian electoral observers	—	—
Consultants	50.0	7.0
Official travel	171.2	94.6
Facilities and infrastructure	4 320.2	2 072.6
Ground transportation	1 609.3	851.6
Air transportation	—	—
Naval transportation	—	—
Communications	5 218.1	2 356.6
Information technology	2 391.7	2 292.0
Medical	102.8	—
Special equipment	—	—
Other supplies, services and equipment	1 194.5	380.9
Quick-impact projects	—	—
Subtotal	**15 116.8**	**8 115.5**
Gross requirements	**22 208.1**	**13 270.9**
Staff assessment income	1 258.5	665.3
Net requirements	**20 949.6**	**12 605.6**
Voluntary contributions in kind (budgeted)	—	—
Total requirements	**22 208.1**	**13 270.9**

Annex II

Strategic deployment stocks released to missions

1 July 2002-29 February 2004

Mission	*Strategic deployment stocks released (thousands of United States dollars)*
United Nations Observer Mission in Liberia[a]	36 702.3
United Nations Assistance Mission in Afghanistan	1 044.4
United Nations Monitoring, Verification and Inspection Commission	893.5
United Nations Mission in Côte d'Ivoire	841.9
United Nations Mission in Sierra Leone	749.7
United Nations Organization Mission in the Democratic Republic of the Congo	688.7
United Nations Assistance Mission for Iraq/Office of the Special Representative of the Secretary-General for Iraq	628.5
United Nations Interim Administration Mission in Kosovo	322.4
United Nations Disengagement Observer Force	198.6
United Nations Office of the Humanitarian Coordinator in Iraq	62.9
United Nations Mission in Angola	62.3
United Nations Military Observer Group in India and Pakistan	31.5
United Nations Peacekeeping Force in Cyprus	34.6
United Nations Iraq-Kuwait Observation Mission	2.4
Total	**42 263.9**

[a] Including assets in transit.